QUICKLY

Rupee falls 2 paise versus US dollar

Mumbai, March 27

The rupee weakened marginally by 2 paise to close at 68.88 against the US dollar on Wednesday amid strengthening of the American currency and robust selling in domestic equities. Forex traders said increased demand for the US currency from importers weighed on the rupee. However, sustained foreign fund inflows and easing crude oil prices cushioned the fall. At the interbank forex market, the domestic currency opened lower at 68.98 a dollar but soon pared some losses. It finally settled at 68.88 per dollar, down 2 paise over its previous close. On Tuesday, the rupee had appreciated by 10 paise to 68.86 following a robust response to RBI's maiden rupee-dollar swap auction. PTI

Digit Insurance adds 20 lakh users

Coimbatore, March 27

Digit Insurance has added over 20 lakh customers in a span of 16 months. Terming this a milestone achievement, Kamesh Goyal, chairman of the new-age insurance company, said: "Our mission to simplify insurance for people by making the process simple, and bringing real benefits has taken us to where we are today". The company has closed over 30,000 claims this March with 92 per cent claim settlement ratio for private cars (own damage), 91 per cent for two-wheelers (own damage), 99.5 per cent for domestic travel, 97 per cent for mobile, and 93 per cent for international travel between April 2018 and February 2019. OUR BUREAU

Promoter stake within 'permissible level' of original licence conditions: Kotak Bank

Charges RBI with shifting terms and rules of promoter shareholding in private lenders

THOMAS ABRAHAM

Bengaluru, March 27

Kotak Mahindra Bank has blamed the Reserve Bank of India for shifting the terms and rules of promoter shareholding in private lenders. It said the central bank is now asking the private lender to lower the promoter stake on grounds that are different from the conditions under which it was given a banking licence.

"The licence did not require the promoter shareholding to be reduced to 49 per cent of the paid-up capital of the bank. It is, therefore, clear that 49 per cent was and is the "permissible level" of promoter shareholding in case of Petitioner 1 (Kotak Mahindra Bank)," the bank told the Bombay High Court in the ongoing litigation.

BusinessLine has reviewed a copy of the reply filed by the bank in the ongoing litigation.

The RBI had asked the bank to cut promoter shareholding to 20 per cent of paid-up capital by December 31, 2018, and 15 per cent by March 31, 2020.

Uday Kotak's stake

As on December 31, 2018, Uday Kotak, the bank's vice-chairman and managing director, held 29.72 per cent stake in the bank. The bank, in August 2018, had proposed perpetual non-cumulative preference shares (PNCPS) to cut promoter shareholding to 19.70 per cent, which the RBI rejected.

The bank has challenged the RBI's contention in the Bombay High Court, which is hearing the matter. Kotak Mahindra Bank told the Bombay High Court that the promoters' stake in the lender remains within "permissible limits" of the original conditions under which it was granted licence in 2002. Within private sector banks, the rules on ownership, promoter shareholding, and voting rights have changed significantly over the last two decades.

For instance, for all licences issued in 1993, as well as under the 2001 guidelines, promoter shareholding was capped at 40 per cent.

The 2001 Guidelines on Entry of New Banks in the Private Sector required promoters to dilute their stake in private banks to 40 per cent or below within one year of operation.

This was changed in June 2002 when the RBI decided to raise the maximum limit of shareholding of Indian promoters in private sector banks from 40 per cent to 49 per cent of their paid-up capital "in order to provide a level-playing field".

In February 2005, in the Guidelines on Ownership and Governance of Private Sector Banks, the RBI stated that "where any existing shareholding by any individual entity/group of related entities is in excess of 10 per cent, the bank will be required to indicate a time-table for reduction of holding to the permissible level. While considering such cases, the RBI will also take into account the terms and conditions of the banking licences".

The rule was changed when the RBI issued Universal Banking Guidelines, first in 2013, and later in 2016. The new rules now require that the non-operating finance holding company (NOFHC), or the promoter group, shall progressively bring down its shareholding from a minimum of 40 per cent to a maximum of 15 per cent within 15 years.

Kotak Mahindra Bank told the Bombay High Court that the "permissible level" for shareholders in a bank (as was determined in the 2005 Ownership and Governance Guidelines) "would necessarily have to be determined in line with the terms and conditions of the licence".

"In the case of the Petitioner No 1 (Kotak Mahindra Bank), the licence did not require the promoter shareholding to be reduced below 49 per cent of the paid-up capital of the bank," it told the court.

'RBI did not respond'

Also, when the bank sought the RBI's clarification on the "permissible level" of promoter shareholding, "the RBI did not respond or provide any guidance, but merely insisted on a roadmap to be provided for reduction of promoter shareholding", said Kotak Mahindra Bank.

Google Pay transactions hit $81 b in March

OUR BUREAU

Bengaluru, March 27

Google Pay, which was launched in India as UPI-based payment app Tez in September 2017, has grown its monthly user base from 14 million in March 2018 to 45 million this month, fuelled by the rise in UPI transactions. Transactions on Google Pay hit $81 billion in March 2019 at an annualised run-rate level.

"Google Pay is accepted at over 2,000 online merchants, including use cases such as food delivery, travel, movie/event tickets and even trading and investments, and has created an impact beyond metros. It is used across three lakh cities, towns and villages in India, with two out of every three transactions from beyond the top seven metros. UPI transaction volumes in the country have outpaced all other forms of digital payments, including wallets, mobile banking (NEFT, RTGS, IMPS) and cards (debit and credit cards). UPI transactions have grown 40 times from 17 million in August 2017 to 674 million today," said Ambarish Kenghe, Director, Product Management, Google Pay, India.

Non-Google Pay users

Beyond popular use cases such as bill payment and mobile recharge, users can also make payments to non-users of Google Pay through the external payments feature, which allows money transfer with a bank account number and IFSC code instead of a mobile number, said Kenghe.

Google Pay has partnered with Pine Labs and Innoviti to enable UPI payments across a wide footprint of point-of-sale (PoS) terminals spanning two lakh stores in more than 3,500 cities and towns.

Google Pay has also collaborated with IRCTC to enable users to search, browse, book, confirm or cancel train tickets at zero transaction fees.

Banks may raise deposit rates

As credit expansion outpaces deposit growth in FY19

OUR BUREAU

Mumbai, March 27

With credit growth outstripping deposit growth so far in the financial year (up to March 15, 2019), banks may be forced to up their deposit rates to attract deposits.

Banks have witnessed a credit growth of 14.33 per cent, while the deposit growth lagged at 9.97 per cent. In the fortnight ended March 15, bank credit jumped by ₹35,223 crore. In sharp contrast, deposits with banks came down by ₹2,893 crore during the same period.

In the last one year, while the one-year marginal cost of funds-based lending rates of most banks moved up by about 40 basis points, the deposit rates have been sticky.

According to RBI data, term deposits of over one-year duration have been in the 6.25-7.50 per cent band as of March 15, against 6.25-6.75 per cent a year ago. Since interest rates on deposits have not moved in step with lending rates, there is an expectation that banks will increase deposit rates to garner resources to support credit growth.

According to SBI's research report, the time has come for banks to experiment with floating rate deposits with better incentivisation

According to SBI's research report Ecowrap, the time has come for banks to experiment with floating rate deposits with perhaps better incentivisation.

"Separately, interest rates offered on deposits in India are demography-agnostic (barring the separate rate for senior citizens). However, going forward, in our view, this approach needs to shift to an age-wise interest rate structure, with rates linked to long-term bank deposit rates till a certain age group, and offering a higher-than-market-rate over that age group.

"This could, in one go, serve the multiple purposes of (a) ensuring a lower lending rate structure, (b) adequate returns for senior citizens, (c) lower interest expenditure and (d) an alternative to floating rate deposits," said Soumya Kanti Ghosh, Group Chief Economic Adviser, SBI.

After Aadhaar ordinance, banks aiming to rework digital account-opening process

SURABHI

Mumbai, March 27

Banks are once again reworking strategies for instant opening of bank accounts using Aadhaar-based authentication and KYC, with some likely to relaunch such facilities in the coming weeks.

The move follows the promulgation of Aadhaar and other laws (Amendment) Ordinance 2019 earlier this month, which amended the Aadhaar Act 2016, Prevention of Money Laundering Act 2005, and Indian Telegraph Act 1885, and enabled private banks and telecoms to use Aadhaar for authentication of identity.

To review 811

Private sector lender Kotak Mahindra Bank plans to review its immensely popular digital account opening platform 811 through this method.

"Now, with the recent guidelines by the government, we are reworking on offering the consent-based voluntary use of Aadhaar for bank account opening. As we speak, we are in the process of studying the changes.

"My take is very soon we will be able to offer, with least amount of friction, a journey closer to, if not exactly the way it was before the Aadhaar verdict," said Deepak Sharma, Chief Digital Officer, Kotak Mahindra Bank.

The bank had temporarily suspended the 811 account opening facility after the Supreme Court verdict on Aadhaar last year, which had prohibited the compulsory use of the 12-digit biometric identification number-based KYC for bank accounts and mobile connections.

Later, the lender had partially restarted the service, although there was a slowdown in customer acquisition.

"Aadhaar, as a service, could be used only for those customers who wanted to use it for DBT purpose and voluntary use of Aadhaar. They could proceed with the journey through OTP and full KYC as we were doing pre-Aadhaar verdict," said Sharma, adding that the second option was a wallet-based journey to customers. "Such customers came through a wallet route and then we quickly did their KYC and brought them on board," he told *BusinessLine*.

Sources said that other lenders, which had suspended such formats for opening bank accounts, are also reviewing the ordinance.

However, some are awaiting more clarity from the Unique Identification Authority of India, in terms of fresh guidelines. Many had, however, started digital account opening for direct benefit transfers (DBT)-linked accounts with voluntary Aadhaar.

"Fincare SFB is likely to relaunch its online digital account opening facility from next week. It will be linked to DBT using consent based Aadhaar verification," said Prakash Sundaram S, Chief Strategy and Digital Innovation Officer, Fincare Small Finance Bank.

The bank also offers a debit card and full suite of banking services immediately on opening the account.

The small finance bank offered 101, a digital savings account that can be opened online in five minutes using Aadhaar-based e-KYC, and had acquired close to 12,000 customers through the facility, largely in September and October last year.

Money laundering

Apart from ease of account opening, bankers believe the use of Aadhaar helps in better authentication of customers, and is more effective in preventing activities such as money laundering.

RBI throws open rupee interest rate derivatives market to non-residents

OUR BUREAU

Mumbai, March 27

The RBI, on Wednesday, said non-residents can undertake transactions in the rupee interest rate derivatives markets to hedge an exposure to rupee interest rate risk and for purposes other than hedging.

According to the central bank, a non-resident may undertake rupee interest rate derivative transactions in India to hedge its interest rate risk using any permitted product transacted on recognised stock exchanges, electronic trading platforms (ETPs) or over-the-counter (OTC) markets.

A non-resident has to ensure that its interest rate derivative transactions conform to the relevant provisions of the RBI Act, 1934, as well as applicable provisions of Foreign Exchange Management Act, 1999, and the rules, regulations and directions issued thereunder.

RBI raises FPI investment limit in G-Secs for FY20

OUR BUREAU

Mumbai, March 27

The Reserve Bank of India, on Wednesday, upped the investment limit for FY2019-20 for foreign portfolio investors (FPI) in Central government securities (G-Secs) to 6 per cent of outstanding stock of securities from 5.5 per cent in FY2018-19.

The limit for FPI investment in State development loans (SDLs) and corporate bonds has been left unchanged at 2 per cent and 9 per cent of outstanding stocks.

As against the current limit of ₹6,49,900 crore, the revised limit for FPI investment in debt for FY2020 has been set at ₹6,98,300 crore for the first half, and ₹7,46,500 crore for the second half of the financial year.

The allocation of increase in G-Sec limit over the two sub-categories – 'general' and 'long-term' – has been set at 50:50 for the year 2019-20. The entire increase in limits for SDLs has been added to the 'general' sub-category of SDLs. The RBI said the coupon reinvestment arrangement for G-Secs shall be extended to SDLs.

Policybazaar's foot-soldiers to speed up settlement of claims

PRIYANKA PANI

Mumbai, March 27

In a bid to assist its customers during the time of claim settlement, online insurance marketplace Policybazaar.com plans to deploy around 150 foot-soldiers across 100 cities in the next six months.

Under the PB Health Buddy initiative, Policybazaar will provide assistance to customers undergoing medical treatment, and help them in the claim-settlement process. The company plans to invest ₹10 crore under this initiative, where it will provide on-ground support to its customers at hospitals. Policybazaar has tied up with more than 1,000 hospitals across the country. Amit Chhabra, Business Head, Health Insurance, Policybazaar.com, told *BusinessLine* that these foot-soldiers, or PB Buddies, are medical experts well-versed with hospital and insurance processes.

"They will assist our clients from the start to the finish, involving all medical formalities in the approval of a claim by talking to the insurance companies or by understanding details from doctors," he said, adding that apart from the challenges of standing in long queues in hospitals for medicines and documentation, patients often have difficulty in understanding complicated medical reports. Chhabra added that with this initiative, Policybazaar.com aims to tap 20 per cent of India's health insurance market in the next three years. At present, it claims to be the largest player in the online health insurance domain, with a market share of 8 per cent of India's retail health insurance market. "We are growing more than five times, compared to the overall market," he said.

Corp Bank shareholders approve capital infusion

OUR BUREAU

Mangaluru, March 27

The extraordinary general meeting (EGM) of shareholders of Corporation Bank, which was held in Mangaluru on Wednesday, approved a special resolution to issue equity shares on preferential basis to the Central government. This will help the government infuse up to ₹9,085.99 crore into the bank.

The bank informed the stock exchanges that the EGM of shareholders has approved a special resolution to issue 340,55,47,226 equity shares of face value ₹2 each at a premium of ₹24.68 per equity share, that is an issue price of ₹26.68 per share, to the Government of India on preferential basis.

While replying to the queries raised by a shareholder, PV Bharathi, Managing Director and CEO of the bank, who chaired the EGM, said the lender is on the growth path. It is the earnest endeavour of every Corporation Bank employee to put the bank back on growth track, she said.

On Tuesday, the scrip of Corporation Bank closed at ₹28.25 on the BSE, up 1.62 per cent, against the previous close of ₹27.80.

Central banks' new tool to curb financial risk gains traction

BLOOMBERG

March 27

In a world of persistently low inflation and slowing economic growth, central banks are finding a useful instrument in their toolboxes to curb financial risk.

Macroprudential measures – such as limiting who gets a mortgage and adjusting banks' reserve requirements – have gained traction with central banks since the global financial crisis, and are proving effective. The targeted tools give policy makers room to hold off from cutting interest rates and fuelling risky borrowing.

A 1 percentage-point increase in the loan-to-value ratio, which banks use to assess lending risk, typically moderates an economy's household credit growth by as much as 0.65 percentage point after one year, according to a report this month from the International Monetary Fund.

Of the 134 countries in the study – 36 advanced economies and 98 emerging or developing ones – there was a steady increase in the use of macroprudential tools from 1990 until a plateau in 2012, with about 90 per cent of nations using at least one of those measures by then.

Macroprudential measures – such as limiting who gets a mortgage and adjusting banks' reserve requirements – have become popular since the global financial crisis

Central banks are in a bit of a rut, embattled by a decade of persistently low inflation, which Federal Reserve chief Jerome Powell described last week as one of the major challenges of our time.

Former Fed chair Janet Yellen is among those citing worries over what tools central banks might have left to navigate the next downturn, especially as interest rates remain relatively low while economic growth is souring globally.

Central banks are in a bit of a rut, embattled by a decade of persistently low inflation, which Fed chief Jerome Powell described as one of the major challenges of our time ISTOCK

Property bubbles

Asia-Pacific economies have taken a lead in using macroprudential measures to curb property price bubbles and household borrowing, and two recent examples out of South-East Asia show how policy makers are leaning harder on the tools.

The Bank of Thailand was able to avoid raising its near-record-low benchmark interest rate until after a more targeted move in November to slow mortgage lending.

Citing the risk of runaway property speculation, officials announced a spate of measures to tighten lending, including raising loan-to-value ratio limits, that will take effect in April.

Bank Indonesia has been looking to macroprudential measures from the opposite position.

Having hiked interest rates at the most aggressive pace in the region in 2018, the central bank now faces a tricky position amid currency stability and an abrupt turn by the Fed to a more dovish stance.

Hesitant to take the very blunt route of reversing those interest-rate increases, Bank Indonesia officials held their stance last week while raising the loan-to-funding ratio reserve requirement in order to spur bank lending to businesses.

While central banks across Asia are staring down higher real interest rates this year that back the case to consider rate cuts, they appear more likely than ever to opt for a different, more trusted stability tool.

Bandhan Bank opens two new branches

OUR BUREAU

Mumbai, March 27

Private sector lender Bandhan Bank, on Wednesday, opened two new branches, and plans to open another six before the end of the fiscal year 2018-19. The bank opened a new branch in Burdwan and another in Gurugram.

"By the end of this month, the bank plans to open six more branches, taking its branch count to 986," the lender said in a statement, adding that with a network of 3,014 doorstep service centres, the total number of banking outlets will reach 4,000 by the end of this month.

Chandra Shekhar Ghosh, Managing Director and CEO, Bandhan Bank, said: "We are glad to announce the opening of our eight new branches in the country. We are well and truly on our path to making banking accessible to all."

The lender's scrip gained 0.86 per cent and closed at ₹492.60 apiece on the BSE.

Exim Bank to tap overseas markets to raise up to $2.5 b

PRESS TRUST OF INDIA

Mumbai, March 27

Exim Bank is looking to raise $2-2.5 billion from overseas markets in the next financial year, a top official said on Wednesday.

The overseas borrowing will include private placements, bond issues, and foreign loans.

"By June or July we will be tapping the market to raise $2-2.5 billion for the full financial year," said Exim Bank Managing Director David Rasquinha.

In the outgoing financial year, the bank had raised $1.5 billion through foreign currency bonds. Rasquinha said the bank is eyeing a 10 per cent loan growth in the current financial year. "We'd be looking at a growth of 10-15 per cent over the previous year in terms of total loan portfolio in FY20. Net loan portfolio was around ₹90,000 crore in FY18, and we should be closing FY19 at around ₹1.07 lakh crore," he said.

Rasquinha said the bank has received ₹5,000 crore from the government, including ₹4,500 crore in the form of bonds this financial year.

Debasis Mallick, Deputy Managing Director, said the bank has a total exposure of ₹453 crore, which includes fund and non-fund-based loans, to the cash-strapped IL&FS Group. Of this, ₹263 crore is non-fund exposure in the form of bank guarantees given to the group's various road projects in Spain, Botswana and Ethiopia.

Mallick said there are no issues pertaining to the bank guarantees given to the road projects in Spain and Botswana. But there are issues related to completion of projects by the group in Ethiopia.

"The trouble is in Ethiopia. It's a guaranteed amount and is still pending. We, IL&FS Group and the Ethiopian project authority, are all trying to get IL&FS replaced by some other contractor to ensure project completion. But there is a problem there," said Mallick.